

NEXT STEPS

JANUARY							2001						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5	6						
7	8	9	10	11	12	13		4	5	6	7	8	9
14	15	16	17	18	19	20		11	12	13	14	15	16
21	22	23	24	25	26	27		18	19	20	21	22	23
28	29	30	31					25	26	27	28		

Note: Holidays highlighted in boxes: 1/1 New Year's Day, 1/15 Martin Luther King Day, 2/19 Presidents Day.

DATE(S)	EVENT
1/22/01	Circulate bidding procedures letter [and draft Merger Agreement] to potential merger partner(s)
1/23/01-2/01/01	Preliminary due diligence of Trigon and WellPoint by small CareFirst team
2/01/01	Firm proposals [and mark-up of Merger Agreement] are due
2/02/01 - 2/06/01	Evaluate bids with CareFirst senior management and Strategic Planning Committee and choose merger partner to recommend to Board
2/07/01 - 2/14/01	Meeting between Bill Jews and individual Board members to review bids
2/07/01 - 2/16/01	Confirmatory due diligence by CareFirst of merger partner and final negotiations
2/22/01	CareFirst Board meeting and Strategic Planning Committee meeting
2/28/01	BCBSD Board meeting
To Be Determined	Strategic Planning Committee meeting and Board meeting to request approval to execute Merger Agreement
To Be Determined	Execute Merger Agreement and announce transaction

COMPARISON STAT SHEET

1999 Performance Indicators

	CareFirst	Wellpoint	Trigon
Service Area	MD, DC, No Va, DE	CA, GA	VA
Membership	2.6M	7.3M (9.5 w/Cerulean) 5.6M Blue Branded	1.9M
Premium Revenue	\$3.5B	\$7.3B	\$2.2B
Operating Income	\$55.8M	\$389M	\$44.6M
Investment Income	\$40M	\$159M	\$97M
Net Income Exc. Gains/Losses	\$81.7M		\$86.7M
Net Income GAAP	\$68.9M	\$279M	\$20.5M
Net Margin	2.0%	3.8%	1.0% (3.9% exc Mid South)
Commercial MLR	84.9%	80.2%	81.4%
Reserves	\$784M	\$3.15B	\$937M
Marketshare/Segment			
Individual	23%	✓	40%
M'care Supp	12%	✓	50%
M'care Risk	39%	✓ minimal	Exited
M'caid	29%	✓ 600K in CA	Not Available
Group 1-50	30%	✓	24%
Group 50-199	10%	✓	30%
Group 200+	48%	✓	35%
FEP	58%	✓	60%
TOTAL	41%	21%	38%

3Q2000 Performance Indicators

	CareFirst	Wellpoint	Trigon
Service Area	MD, DC, No Va, DE	CA, GA	VA
Membership	2.6M	7.3M (9.5 w/Cerulean) 5.6M Blue Branded	2.0M
Premium Revenue	\$966M	\$2.2B	\$633M
Operating Income	\$13.4M	\$112M	\$30M
Investment Income	\$13.9M	\$53.3M	\$29.7M
Net Income GAAP	\$21.9M	\$89.5M	\$34M
Commercial MLR	87.3%	80.7%	79.4%
Reserves	\$997M	\$3.5B	\$992M



Deutsche Banc Alex. Brown

US
Health Care

October 26, 2000

Deutsche Bank



WellPoint Health Networks

Stronger-Than-Expected 3Q00 EPS Raising Estimates and Price Target; Maintaining STRONG BUY Rating

Rating Remains
Strong Buy

Price
US\$109 15/16

Exchange: Ticker
NYSE: WLP

FY: (Dec.)	1Q	2Q	3Q	4Q	FY EPS	CY EPS	CY P/E	Rev MM
EPS (US\$):								
1999A	\$1.04	\$1.03	\$1.11	\$1.20	\$4.38	\$4.38	25.1x	\$7,485
2000E	1.23	1.30	1.34A	1.35	5.22	5.22	21.1	9,141
2001E	NE	NE	NE	NE	6.02	6.02	18.3	10,740

Source: Deutsche Banc Alex. Brown estimates and company information

52-Week Range:	\$113-\$52	ROE: (1999A)	19.0%
Shares Outstanding: (MM)	65.1	LT Debt: (MM)	\$400.1
Market Cap: (MM)	\$7,157.1	LT Debt/Total Cap:	21.3%
Float: (MM)	58.0	Div./Yield:	\$0.00/0.0%
Avg. Daily Volume:	528,045	3- to 5-Year Growth Rate:	15%
S&P 500:	1,364.44	CY01E P/E-to-Growth:	1.2x

- WellPoint Health Networks reported 3Q00 EPS of \$1.34 (exclusive of one-time realized investment gains), ahead of consensus expectations and versus \$1.11 last year. Total revenue rose 24% versus 3Q99, while premium revenue increased 25% year over year. The company also posted robust investment income growth of 23%, driven by a \$5 million gain in the portfolio offset by \$3.6 million in realized losses (contributed \$0.04-\$0.05 per share).
- WellPoint's MLR in 3Q00 was 80.7%, compared with a MLR of 80.8% in 2Q00 (roughly in line with our forecast).
- In California, the company realized a net premium yield of 7% during 3Q00, while outside of California, premiums rose between 8% and 11% (depending on product and geographic location). Also, during 3Q00, the company experienced medical cost inflation in California of about 6.0%. Outside of California, medical costs trended up in the range of 6% to 8%.
- We continue to believe that WellPoint shares represent an attractive investment. The company is well positioned for future growth, in our view, as fundamentals remain favorable and management continues to execute on its strategy of delivering strong and predictable revenue and income growth. We are raising our EPS estimates to \$5.22 from \$5.16 and to \$6.02 from \$5.93 for 2000 and 2001, respectively. We continue to rate shares of WellPoint Health Networks STRONG BUY and are increasing our 12- to 18-month price target to \$120 (or approximately 20x our 2001 EPS estimate), which suggests potential price appreciation of approximately 10% from current levels.

Gary M. Frazier
(+1) 212 469 7588
gary.m.frazier@db.com

Gayle M. Sprute
(+1) 212 469 7585
gayle.sprute@db.com

OCC 015974



Investment Thesis

Continued strong fundamentals leave WellPoint well poised for future growth, in our view. WellPoint continues to execute on its strategy of delivering strong revenue and income trends driven by continued solid enrollment and premium growth, augmented by successful cost management initiatives (i.e., hospital recontracting efforts, pharmacy cost management and prior authorization programs, to name a few). We believe that these trends will continue over the foreseeable future. The outlook for pricing increases in 2001 is also promising. We anticipate that premium yields in California will likely be up around the 7.5%-8% range, while outside of California, the outlook is for premiums to be up moderately from the 8%-11% range experienced in 2000. In addition, guidance from the company continues to suggest that medical costs in the upcoming year may rise by around 6.5%-7.5% in California and around 9% in other geographies. Based on these trends, we believe the company will likely achieve modest margin expansion during the coming year.

Management has demonstrated a continued ability, over time, to deliver consistent, high-quality earnings growth and remains disciplined with respect to running the company and building shareholder value. WellPoint has also achieved continued favorable results from its cost management initiatives. We remain impressed with the company's intense focus on transitioning its large group businesses into proprietary networks and leveraging that network by folding in higher-margin individual and small group business. In addition, we remain bullish on management's demonstrated commitment on the M&A and share repurchase fronts. Finally, the fundamentals for the industry in general remain solid and the outlook over the next six to twelve months remains promising. As a result of these strengths, we expect the company should earn \$5.22 and \$6.02 per share in 2000 and 2001, respectively. We continue to rate shares of WellPoint Health Networks **STRONG BUY**.

OCC 015975



also encouraged that results coming out of the Cerulean operations during 3Q00 remained solid. Finally, we expect that management will look to further augment the company's growth rate by continuing to aggressively pursue additional strategic acquisition candidates in the future. As a result of our positive outlook for WellPoint, we are raising our EPS estimates to \$5.22 from \$5.16 and to \$6.02 from \$5.93 for 2000 and 2001, respectively. We continue to rate shares of WellPoint Health Networks **STRONG BUY** and are increasing our 12- to 18-month price target to \$120 (or approximately 20x our 2001 EPS estimate), which suggests potential price appreciation of approximately 10% from current levels.

OCC 015976